

Message Text

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SUBJEPX: SAUDI FIRM DESIRES TO SET UP JOINT VENTURE OPERATION WITH
U.S. SUPERMARKET FIRM

1. SAWARY TRADING AND CONSTRUCTING CO., A FIRM OWNED BY THE PROMINENT SYLEYMAN FAMILY, IS INTERESTED IN SETTING UP A JOINT VENTURE IN SAUDI ARABIA. THEY HAVE EXAMINED THE MARKET AT A FAIRLY SUPERFICIAL LEVEL AND BELIEVE THAT A VERY LARGE OPPORTUNITY EXISTS. AT THIS STAGE NO LARGE SUPERMARKETS ARE IN EXISTENCE HERE. THE LARGE AND RAPIDLY INCREASING WESTERN-EUROPEAN AND U.S. COMMUNITIES, HOWEVER, CREATE A READILY AVAILABLE MARKET. IN ADDITION, SAUDIS AND OTHER THIRD COUNTRY NATIONALS ARE BECOMING MORE AND MORE EXPOSED TO U.S. MERCHANDISING TECHNIQUES. AT THIS TIME SUCH GROCERY STORES AS DO CATER TO THE WESTERN MARKET ARE POORLY RUN, GENERALLY PURCHASE THEIR RETAIL MERCHANDISE FROM IMPORTERS AND WHOLESALERS, AND HAVE LITTLE KNOWLEDGE OF PROPER MERCHANDISING AND/OR INVENTORY TECHNIQUES. THE EMBASSY CAN CONFIRM THESE OBSERVATIONS.

2. IN ADDITION TO A VERY EFFICIENT MARKETING OPERATION, THE SULEYMAN FAMILY CAN OFFER EXTENSIVE LAND HOLDINGS. AS LAND COSTS ARE EXTREMELY HIGH AND RISING RAPIDLY IN SAUDI ARABIA, AVAILABLE LAND IS AN IMPORTANT FACTOR IN SETTING UP ANY NEW VENTURE.

3. AHMED ABDULLAH SULEYMAN, WHO IS DIRECTLY RESPONSIBLE
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FOR SAWARY, IS WIDELY KNOWN IN SAUDI ARABIA FOR HIS SUC-

CESSFUL OPERATION OF THE DATSUN DEALERSHIP. EMBASSY BELIEVES ASSOCIATION WITH SULEYMAN WOULD BE VERY PROFITABLE FOR U.S. BUSINESS. AT THIS STAGE PLANS CALL FOR DIRECT IMPORT OF BRAND NAME PRODUCTS. EVENTUALLY THE SULEYMANS WOULD LIKE TO SET UP PROCESSING PLANTS FOR SUCH PRODUCTS AS ARE AVAILABLE LOCALLY. THESE MIGHT INCLUDE FRUIT JUICES OR VEGATABLE CANNING PLANTS WHEN THE GOVERNMENT'S AGRICULTURE EFFORTS HAVE BEGUN TO BEAR FRUIT.

4. MESSRS. LAHHAM AND SULEYMAN WILL BE IN THE U.S. FROM OCTOBER 8 TO 15. MR. LAHHAM CAN REMAIN FOR A LONGER PERIOD. THEY WOULD LIKE TO MAKE DIRECT CONTACT WITH EXECUTIVES OF LARGE CHAINS. THE NAMES MENTIONED ARE THE COMMONLY KNOWN HOUSEHOLD SUPERMARKET NAMES SUCH AS A&P, KROGER, SAFEWAY, ETC. EMBASSY WOULD GREATLY APPRECIATE CAGNE ACTION TO ARRANGE APPOINTMENTS WITH THESE OR OTHER FIRMS WHICH MAY BE INTERESTED IN A POSSIBLE JOINT VENTURE. FIRMS SHOULD BE AWARE THAT JOINT VENTURE WILL INVOLVE FAR MORE THAN SIMPLY SUPPLYING NAME AND EXPORT OF NAME MERCHANDISE. A GOOD DEAL OF TRAINING AND SUPPLY OF SPECIFIC EXPERTISE IN SAUDI ARABIA WILL BE REQUIRED TO MAKE ANY JOINT VENTURE A SUCCESS.
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